



City Council PWC Questions

City Manager's Office:

(The following answers were provided by the City Manager's Office)

1. **The report identifies the following charter violations that require immediate action. What specific steps are planned to address each violation and what is the schedule for implementation?**
 - **Appropriations in excess of \$10,000 require approval of the city council.**
 - **Commission shall render full report each month.**
 - **PWC obligated to pay over the Treasurer of the City all balances in excess of necessary expenses and disbursements.**

Resp. – Existing operational resources, systems, and policies are insufficient to allow the Council to adequately fulfill these fiduciary responsibilities efficiently and effectively. The recommendation is that the study should commence immediately to define the actions necessary to reconfigure existing operational resources, systems, and policies to allow the Council to fulfill these obligations and that those actions should be pursued as soon as practical. As that process moves forward, interim action to establish priority areas of oversight and fiscal management could ensure that Council is able to focus its scrutiny in the most important areas first and then broaden that oversight and service toward the statutory requirement as the system is reconfigured.

2. **If external communication and marketing is not deemed to be a core responsibility of the utility, then wouldn't some portion of the \$1 million budgeted by the utility each year be "excessive" and, by Charter, required to be provided to the City's General Fund?**

Resp. – The Charter obligation to deposit excess funds does not indicate that those funds are to be deposited in the General Fund. Utility revenues, even if held by the City's treasurer, will be held for utility purposes. The PWC budget, as approved by the City Council, includes line items appropriating funds, or authorizing expenditures for the purpose of communications. If an internal service fund was created for the purpose of supporting communications as a unified service, then it would be possible for a budget amendment to appropriate the funds in the existing line items to support that unified service. Furthermore, to the extent that some funds have a purpose beyond communications and appear to be focused on brand identity and marketing; the sponsoring of Chamber of Commerce events for example, this could continue as budgeted and approved by the City Council instead of by the Commission.

- 3. The Charter would seem to indicate that the Council should direct the City Attorney to begin staffing all PWC Commission meetings to include closed sessions. Should the \$320,000 budgeted in 2014 be transferred to the City Attorney office? Is there a better approach?**

Resp. – It is certainly possible for the Council to adopt a budget revision that would appropriate these funds to the City Attorney’s office for utility related expenditures. This action accompanied by an appropriate cost allocations system is the recommended approach. Under this scenario, the City Attorney would use the utility appropriation to cover the cost of both contract legal support and an allocation of the cost of the City Attorney’s office proportionate to the support provided to the utility.

- 4. In light of the fact that Fiber Service is not a core utility included in PWC’s mission per the charter, should those assets be transferred to the City? Could the City then charge PWC an appropriate cost for their use of the fiber services? Is there a better approach?**

Resp. – PWC is not authorized by the Charter to provide Fiber Services and not authorized to set rates for this service. The assets are already owned by the City as are all utility assets. It could be argued that the current practice of PWC demanding from City operations and other customers a rate for Fiber Services is a violation of the Charter. The PWC can make decisions related to investing in fiber for the exclusive use of the utility and, arguably, how to allocate the cost of that system among served utility operations. Using those assets to serve others and rates, if any, is the domain of the City Council. The questions are who should operate and maintain these assets and how costs should be recovered. The utility has the staff and equipment to install, maintain, and operate these assets. It would be hard to argue to change this, and this is the most common practice. Operational units served by fiber, however, should only be charged an appropriate share of the direct cost, if any, to support their needs. This could all be established through a new service level agreement. Rates to serve external customers should be established by the City Council.

- 5. The 20% administrative fee applied to all three components of the Fleet Maintenance seems excessive. The City has identified the issue previously. In addition to recalculating the cost model for future allocations, can the City require a refund of the excessive charges since the problem was initially identified and presented to PWC?**

Resp. – All service fees for Fleet are balanced against expenditures at year end. For this reason, the fees are less important than the actual costs charged to Fleet operations. The key issue with Fleet Maintenance charges is the allocation of overhead costs outside the direct supervision to the function. This issue could certainly be corrected for this fiscal year reducing the total cost to City operations. Going back and recovering overcharges from previous fiscal years is possible. Recovering inappropriate charges for Fiber Services may also be of interest. This is, however, like recovering funds from a

subsidiary in that the financial impact upon both parent and subsidiary must be considered.

6. ***The salary comparison between the City of Fayetteville and PWC Non-Utility Positions shows significant variances between the two entities. (Administrative Secretary 19.71% higher annual pay at PWC; Budget Manager 26%; Internal Auditor 44.8%). Can we see the entire list of the comparisons? What is PWC's justification for the differences? (see PWC response below) What steps could we collectively take in the future to address this problem?***

Resp. – This can be accomplished through the alignment of support functions into internal support service departments serving all operations. A unified human resources function would also ensure that compensation decisions are made utilizing the same information, would increase transparency, and should reduce the justification for pay differences for similar work over time.

7. **The DavenportLawrence Report suggests a detailed implementation plan. If so inclined, how does the City Council proceed with acceptance of the report and the implementation plan?**
- **Governance**
 - **Communications**
 - **Existing Agreements**
 - **Shared Service Agreements**
 - **Support Services Department**
 - **Oracle Platform**

Resp. – The report does not include a detailed implementation plan. The completed work was an initial phase of a multi-year effort as initially outlined in Davenport Lawrence's response to the City's request for proposals. If the Council would like to pursue the organizational changes necessary to achieve the recommended structure for support services, then additional research leading to the development of a detailed implementation plan should be authorized. Further, a clear statement of Council's expected outcomes or the objectives of future work would guide the development and implementation of that plan.

City Attorney:

8. **Did PWC have the legal authority to engage in any subsequent contracts with Fort Bragg or Harnett County without City Council approval? If not, how were the contracts executed?**

Resp. - PWC did not have the legal authority to enter into any subsequent amendments with Fort Bragg or Harnett County thereby making the contract voidable. According, to PWC the parties had agreed there would be one point of contact for the contract. PWC interpreted this as authority to amend the contract without City Council approval. PWC has also stated that there have been over 40 modifications to this agreement that were ministerial in nature, e.g. the billing method to Fort Bragg or the final construction

cost. It is unclear whether these amendments were contemplated in the original contract and, therefore, permissible without further Council action. It is clear, however, that PWC was not authorized to agree to amendments to substantive terms, which it did, without City Council approval.

Utility: (The following answers were provided by the PWC General Manager's Office)

9. How much has PWC incurred in legal fees over the last year in review of the Charter of the City of Fayetteville? When were the payments made and to who?

Resp. - PWC has used Styers, Kemeraite & Mitchell, PLLC. Payments of \$3,030.00 was made in January 2013; \$1,225.00 in July 2013; and \$6,510.00 in August 2013.

10. Why did the PWC require the General Manager or Chief Executive Officer to personally participate in DavenportLawrence's individual interviews of PWC employees?

Resp. - The PWC CEO/General Manager did not require his presence at DavenportLawrence individual interviews with PWC employees. I did require that a PWC member of the Functional Alignment Team be present during employee interviews. Dwight Miller was the most active in the interview process for PWC. Jamie Kofalt was also a team member who participated in the interview process. I did several meetings to support the functional alignment team members or when multiple meetings occurred at the same time and date to help keep the project on schedule.

11. The salary comparison between the City of Fayetteville and PWC Non-Utility Positions shows significant variances between the two entities. (Administrative Secretary 19.71 % higher annual pay at PWC; Budget Manager 26%; Internal Auditor 44.8%). Can we see the entire list of the comparisons? What is PWC's justification for the differences? What steps could we collectively take in the future to address this problem?

Resp. - PWC was not a part of the comparison process for the City position and salaries. It appears the matching of positions was done trying to match job titles. This is not the best way to do comparisons. I have attached a very high level comparison which differs from the data above. (see below) However, the listing shows the hierarchy of the areas under review and shows a more accurate comparison of positions. This is still not the best comparison methodology. A full review of the job knowledge, skills and abilities along with managerial and supervisory requirements would be a better approach. We use the Hay Group to grade and set a value for each job description. I also provided the number of PWC employees in each classification. Some classifications we have eliminated or we are not presently using, but maintain them for future use if needed.

City/PWC High Level Comparison as of July 1, 2013

Hourly Positions											
City Title	Pay Grade	Min	Mid	Max	PWC Title	Pay Grade	Min	Mid	Max	Mid-range PWC vs City	Number of PWC Employees
Office Assistant I	108	\$ 24,321	\$ 30,847	\$ 37,372	Secretary	401	\$ 21,992	\$ 28,561	\$ 35,131	\$ (2,286)	-7.41%
Office Assistant II	110	\$ 28,043	\$ 35,567	\$ 43,090	Office Assistant	402-X	\$ 26,397	\$ 34,282	\$ 42,166	\$ (1,285)	-3.61%
Secretary	111	\$ 30,420	\$ 38,582	\$ 46,743							
Administrative Secretary	112	\$ 33,108	\$ 41,991	\$ 50,873	Administrative Assistant	404	\$ 30,552	\$ 39,679	\$ 48,805	\$ (2,312)	-5.51%
"See Salaried Position"					Internal Auditor	408	\$ 51,488	\$ 66,868	\$ 82,248	\$ (6,330)	-8.65%

Salaried Positions											
City Title	Pay Grade	Min	Mid	Max	PWC Title	Pay Grade	Min	Mid	Max	Mid-range PWC vs City	Number of PWC Employees
Executive Assistant	214	\$ 41,651	\$ 53,551	\$ 65,451	Executive Assistant	411	\$ 43,599	\$ 56,623	\$ 69,646	\$ 3,072	5.74%
Office Supervisor	214	\$ 41,651	\$ 53,551	\$ 65,451	Sr. Administrative Ass./Office Supervisor	406	\$ 39,633	\$ 51,472	\$ 63,310	\$ (2,079)	-3.88%
City Clerk	219	\$ 62,256	\$ 80,044	\$ 97,831	Senior Executive Assistant/Clerk to Board	412-X	\$ 53,738	\$ 69,790	\$ 85,841	\$ (10,254)	-12.81%
Internal Auditor	218	\$ 56,931	\$ 73,198	\$ 89,464	"See Hourly Position"						
Budget & Evaluation Mgr.	218	\$ 56,931	\$ 73,198	\$ 89,464	Budget Manager	415	\$ 71,822	\$ 93,275	\$ 114,728	\$ 20,077	27.43%

19.70%

26.15%

DL compared our Internal Auditor w/ PWC's Internal Audit Supervisor

Notes: 1 Based on the heirarchy of the pay classifications in the clerical areas of the City and PWC, the above areas in blue are my best estimation of pay comparisons for that area.

The PWC heirarchy has the Secretary as the entry level below Office Assistant and the City has the Office Assistant as the entry level below the Secretary.

2 The two (2) PWC Senior Administrative Assistants serve as the office supervisor in the Electrical Engineering and Water Resources Engineering Departments.

For PWC the Senior Administrative Assistants are hourly employees; however, the job duties would likely match the salaried Office Supervisor position at the City.

3 The Internal Auditor position is salaried at the City and hourly at PWC is shown in the yellow.

4 The mid-range comparison is relatively close for all positions except the Budget Manager shown in orange. All PWC positions are graded by a third party (Hay Group) based on the job knowledge, skills and abilities as well as supervisory responsibilities defined in the job description. I am not aware of what the City requires in its job description; however the job title (Buget & Evaluation Manager) infers that other duties are assigned that may reduce the value of the job causing the pay to be less than PWC.

City HRD Comments:

See above red, green and purple highlights for differentials.

PWC did use COF's new adjusted ranges.

PWC is comparing midpoints and DL compared minimums.

PWC is comparing their Admin. Asst. (404) with our highest Admin position (112); DL compared our highest Admin position with PWC's highest admin position to get the 19.7%

PWC hires clerical positions starting up to the midpoint; until recently COF budgeted to hire all positions at the min and usually hired these positions at the minimum rate.

COF's ranges from 2008 were established by Hay and jobs were graded by Hay up until 2010; range adjustments were built off Hay's established 2008 ranges.



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